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UNCLAS SECTION 01 OF 03 MONROVIA 000976

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DEPARTMENT FOR INL, SCT AND EEB
JUSTICE FOR AFMLS, OIA AN OPDAT
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E.O.12958: N/A

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SUBJECT: LIBERIA: 2008-09 INTERNATIONAL NARCOTICS CONTROL STRATEGY
REPORT (INSCR) PART II - MONEY LAUNDERING AND FINANCIAL CRIMES

REF: STATE 103815

¶1. Attached is the text of Liberia's 2008-09 INSCR report. The text has been e-mailed as instructed reftel. Monrovia POC is economic officer Lucy Abbott abbottlk@state.gov. (Note: URLs exceeding 55 characters have been removed but are included in the text sent via e-mail. End note.)

¶2. Begin text

Liberia is not a significant regional financial center but financial controls are weak and it is likely that money laundering occurs. Both Liberian and U.S. dollars are legal tender in Liberia, making it easier to launder U.S. currency. There is a significant market for smuggled goods and borders are porous. There is little information on whether money laundering is linked to the sale of narcotics, but few hard drugs are interdicted in Liberia. There are no confirmed cases of money laundering or terrorist financing in the Liberian banking sector. (Note: All currency amounts are in U.S. dollars. End note.)

Offshore Financial Centers

Liberia is not an offshore financial center and the country does not license offshore banks or businesses including casinos. Anonymous directors are not allowed nor are bearer shares permitted for banks or companies.

Free Trade Zones

Liberia does not have a designated free trade zone.

Legal Foundation of the AML Regime

Laundering the proceeds of "criminal conduct" is a criminal offense according to a 2002 amendment to Title 26, chapter 15, sub-chapter G of the Penal Code. "Criminal conduct" is defined as an act that occurs in Liberia that constitutes a non-bailable first-degree felony or an act that occurs outside Liberia that would be considered an offense if it had occurred in Liberia. (The only non-bailable crimes in Liberia are treason, armed robbery, and rape.) The law does not specifically refer to drug-related money laundering. The law also outlines measures to be taken by financial institutions to prevent money laundering. There are criminal penalties associated with carrying out relevant financial business in contravention to the Act. Drug trafficking is not a criminal act in Liberia, but possession of drugs is.

The country has not enacted secrecy laws, but information is not easily available. A draft Freedom of Information Act has been presented to the Legislature but has not been passed.

Financial Sector

The Central Bank of Liberia (CBL) supervises financial institutions. Regulations on Know-Your-Customers (KYC) and Customer Due Diligence (CDD), issued by the CBL in 2005, require that a financial institution should, at a minimum, have a customer acceptance procedure, a customer identification procedure, a procedure for on-going monitoring and scrutiny of transactions of high risk accounts, an appropriate risk management system, and a system for suspicious activity reporting. Banks are required to freeze the assets of a suspicious account pending results of the government's investigation. Records must be kept for five years.

Under Central Bank KYC and CDD guidelines, banks should maintain integrity, promote ethical and professional standards, and combat the misuse of the financial system by criminal elements. The threshold for suspicious transactions or transfers is \$25,000 or more for individuals and \$40,000 or more for corporations.

Banks should report suspicious transactions but normally do not. Under the regulations, the CBL is authorized to carry out spot supervision to determine compliance with regulations. Reporting institutions are protected by law if they report in compliance with regulation. However, Liberia's justice sector is weak and legal protection is not always guaranteed. Financial institutions that requested guidance from the CBL on how to handle a suspicious transaction were reportedly advised to "use your discretion." The CBL does not have data on suspicious transaction reports, but told us that a bank did note some suspicious transactions this year and reported them directly to the Ministry of Justice. The

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ineffectiveness of Liberia's judicial system ensures that action on cases referred to the Ministry of Justice is unlikely.

Financial institutions and non-financial institutions, including insurance companies and foreign currency exchange houses, are supervised and controlled by the CBL. Stock brokerages do not exist, but they would be supervised by the CBL. There are three casinos in Liberia's capital. Casinos are registered as businesses, but taxation and profit-sharing are negotiated directly with the government. The Central Bank does not regulate casinos and there is no specific law regulating money laundering activities linked to casino operations.

Financial Intelligence Unit/Investigations

There is no Financial Intelligence Unit (FIU). Intelligence related to money laundering and other financial crimes is handled by various government security organizations in an uncoordinated fashion. There is no reporting on the number of suspicious transaction reports. The Liberian National Police (LNP) investigates financial crimes through the Criminal Investigation Division's Technical Investigation Unit and the National Bureau of Investigation (NBI) investigates crimes through the Economic Crimes and Transnational Crimes Divisions. The Ministry of National Security and the National Security Agency (NSA) all have intelligence units and are marginally responsible for investigating financial crimes. None of the agencies are adequately staffed or resourced.

Large amounts of remittances enter Liberia every year through institutions such as Western Union or Moneygram. According to 2004 regulations governing money remittance entities, amounts over \$5,000 must be sent through a bank. There are numerous illegal money changers but no known alternative remittance systems that by-pass financial institutions. The Liberian government has done little to combat illegal money changers. Porous borders make cash smuggling likely.

Asset Forfeiture and Seizure Legislation

The anti-money laundering law provides for seizure of laundered

assets including property, land, securities, and cash. However, there have been no arrests, prosecutions or convictions for money laundering or terrorist financing. The Liberian government has not frozen the assets of any of the Liberians (including four Liberian legislators) on the UN asset-freeze list. The banking community may cooperate with enforcement efforts with the involvement of the CBL or court order. The police and other security officials have the power to seize drug-related assets, but need permission from the courts. Implementation of laws is hampered by political interference, judicial corruption, and lack of adequate resources.

Terrorist Financing

Liberia has not criminalized the financing of terrorism as required by United National Security Council Resolution 1373. Liberia's anti-money laundering law does not cover "all serious crimes" and makes no specific mention of terrorist financing. The Liberian government does not have a mechanism for circulating the UN terrorist financing list to financial institutions.

Cross-Border Transportation of Currency and Negotiable Instruments
The CBL regulations on international transportation of currency were issued in "Regulations Dealing with the Physical Movement of Foreign Currency Bank Notes" issued November 23, 2001, and on the Transfer of Foreign Currency, issued the same day. The documents outline statutory requirements limiting or monitoring the international transport of currencies.

International bank transfers from accounts are not limited, provided the funds have been in the account for three days. Individuals without an account may make over-the-counter transfers of up to \$5,000.

Any person wishing to move foreign currency banknotes out of Liberia shall be allowed an undeclared limit of up to \$7,500 or its equivalent in other foreign currencies. Any amount in excess of \$7,500 may be carried by one person only in the form of bank drafts, traveler's checks, money orders, and/or other similar instruments. Any amount of foreign currency banknotes is allowed into Liberia, but cash (banknotes/coins) in excess of \$10,000 or its equivalent in other foreign currencies must be declared to the authorities of the CBL at the port of entry.

International Cooperation

Liberia has accepted but not signed the UN International Convention against Illicit Traffic in Narcotic Drugs and Psychotropic

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Substances (Vienna Convention), the UN Convention against Transnational Organized Crimes (Palermo Convention), the UN Convention Against Corruption, and the UN Convention for Suppression of the Financing of Terrorism.

Liberia is not a member of the Financial Action Task Force, but does work with the Basle Committee for Banking Supervision for West and Central Africa and with GIABA (the regional Intergovernmental Agency Against Money Laundering).

The government has not adopted any specific laws or regulations that allow for the exchange of records with the United States on narcotics and narcotics related money laundering, all-source money laundering, or terrorism finance investigations. Liberia does have an extradition treaty with the United States, but we do not believe the Liberian courts have correctly interpreted the provisions of the treaty in recent cases. The United States and Liberia do not have a mutual legal assistance treaty.

THOMAS-GREENFIELD